



March 2014

Retail Banking and Wealth Management Investor Update

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Forward-looking statements

This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations, capital position and business of the Group. These forward-looking statements represent the Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Additional detailed information concerning important factors that could cause actual results to differ materially is available in our Annual Report and Accounts. Past performance cannot be relied on as a guide to future performance.

This presentation contains non-GAAP financial information. Reconciliation of non-GAAP financial measures to the most directly comparable measures under GAAP are provided in the 'reconciliations of non-GAAP financial measures' supplement available at www.hsbc.com.



Agenda

I Group and RBWM Results

II Growth Priorities

III Streamline

IV Summary

V Appendix

I. Group and RBWM Results

Annual results 2013

Financial highlights¹

Summary financial highlights

	2012	2013	% better/(worse) 2013 vs 2012
Reported PBT (USDbn)	20.6	22.6	9
Underlying PBT (USDbn)	15.3	21.6	41
EPS (USD)	0.74	0.84	14
Dividends ² (USD)	0.45	0.49	9

Key ratios %

	2012	2013	KPI
Return on average ordinary shareholders' equity	8.4	9.2	12 – 15
Cost efficiency ratio	62.8	59.6	48 – 52 ³
Advances-to-deposits ratio	74.4	72.9	< 90
Core tier 1 ratio	12.3	13.6	9.5 – 10.5
Common equity tier 1 ratio	9.5	10.9	9.5 – 10.5 ⁴

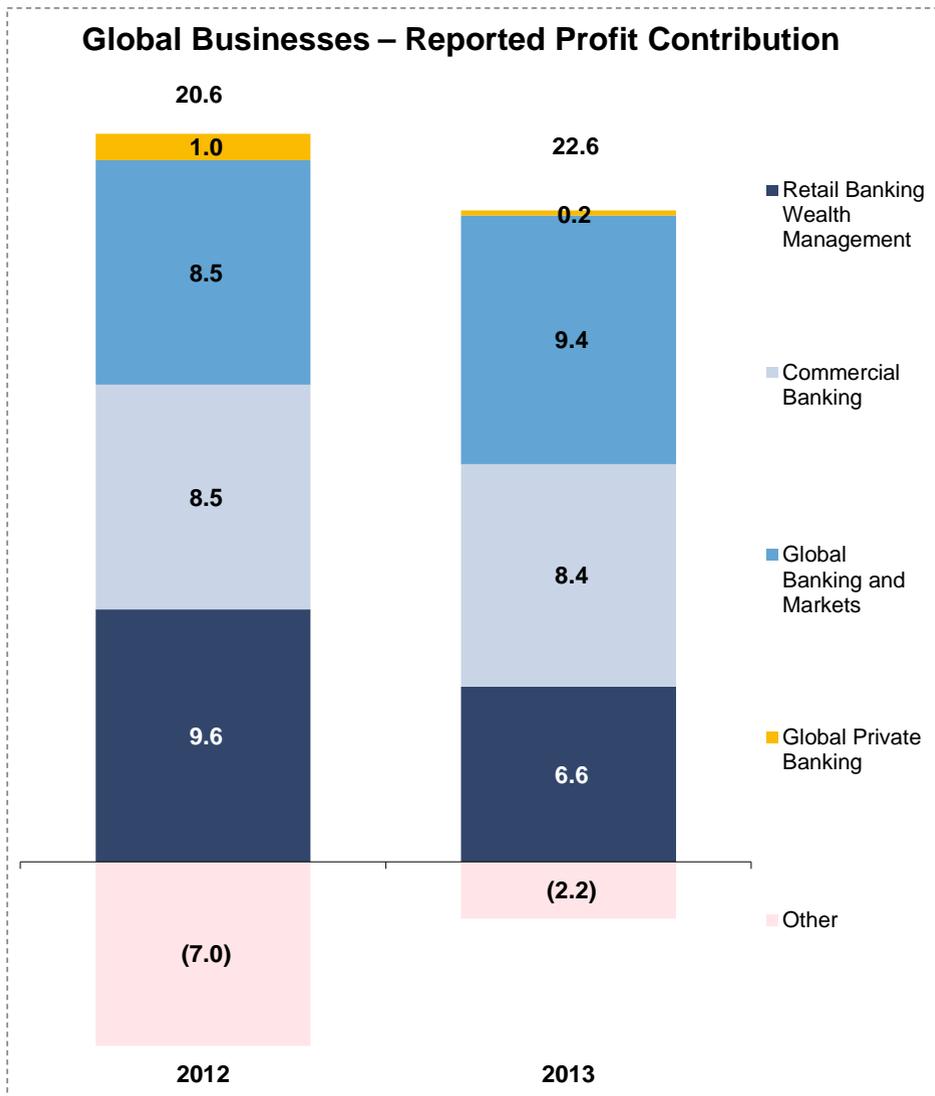
Notes:

1. All figures are as reported unless otherwise stated
2. Dividends per share declared in respect of the year
3. CER target for 2014-16 is mid 50s
4. Target for 2014-16 is >10%

I. Group and RBWM Results

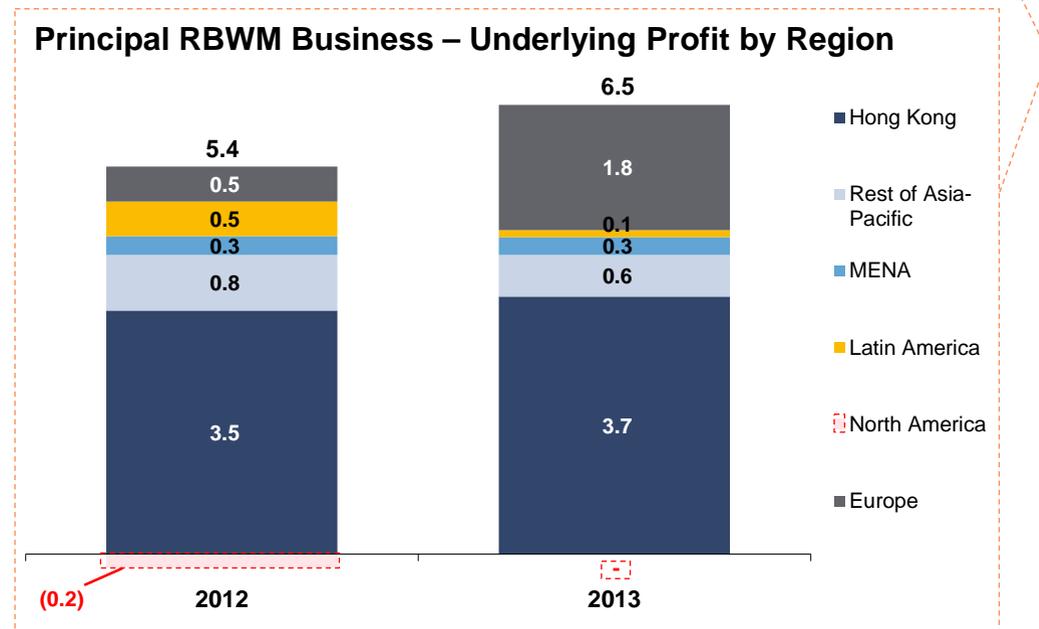
Annual results 2013

Business profit contributions



Retail Banking and Wealth Management – Profit Contribution

PBT (USDbn)	2012	2013	% better/(worse) 2013 vs 2012
RBWM - Reported basis	9.6	6.6	(31)
RBWM - Underlying basis ¹	4.0	6.4	60
<i>Of Which</i>			
CRS and US run-off portfolio	(1.4)	(0.1)	(94)
Principal RBWM Business ²	5.4	6.5	20



Notes:

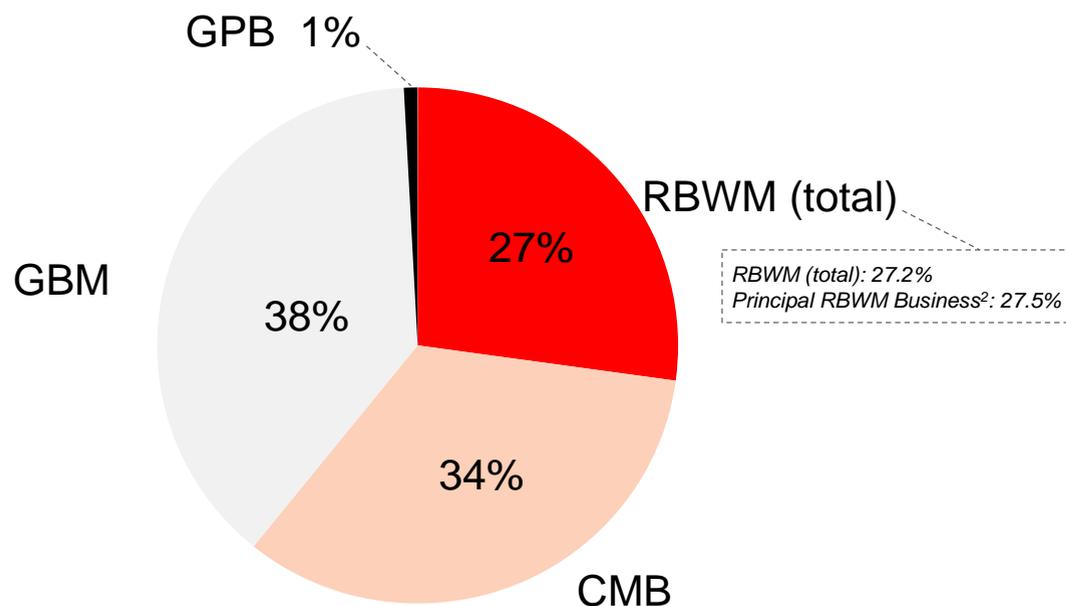
- Underlying basis eliminates effects of foreign currency translation differences, acquisitions, disposals and changes in ownership levels of subsidiaries, associates, joint ventures and businesses, and fair value ("FV") due to movements in credit spread on own long-term debt issued by Group and designated at fair value
- Excludes CRS and US run-off portfolio

I. Group and RBWM Results

HSBC's four integrated Global Businesses

RBWM is a significant component of the Group

Distribution of profit before tax¹, 2013



Directional 2016 PBT contribution 2016 target RoRWA⁵

% of Group total %

CMB	30-40	2.2-2.5
RBWM	25-35	5.0-5.5 ⁶
GBM	25-35	2.0-2.2
GPB	3-5	

Global Businesses	PBT (USDbn)		RoRWA (%) ³	
	2012	2013	2012	2013
RBWM (total)	4.0	6.4	1.4	2.6
Principal RBWM Business	5.4	6.5	3.5	4.2
CMB	7.5	7.9	2.1	2.1
GBM ⁴	7.9	9.0	2.0	2.2
GPB	0.9	0.2	4.3	0.9

Notes:

1. On an underlying basis excluding Other segment. Intra-HSBC PBT has not been eliminated in the preparation of these charts. Intra-HSBC PBT includes transactions between Global Businesses
2. Excluding US run-off PBT of USD(80)m in 2013
3. Pre-tax return on average risk-weighted assets on underlying basis
4. GBM total (including legacy credit portfolio)
5. Based on CRD IV end point
6. 2016 RoRWA target for the Principal RBWM Business; 3.8% - 4.3% including US run-off portfolio

I. Group and RBWM Results

Annual results 2013

RBWM highlights

Financial highlights¹:

- **RBWM: Underlying profit before tax ('PBT') increased by 60% to USD6.4bn**
- **Principal RBWM business: Underlying profit before tax ('PBT') increased by 20% to USD6.5bn, of which:**
 - **Revenue**, excluding the loss on sale of HFC Bank UK secured lending portfolio, increased marginally despite the de-risking initiatives and challenging economic environment.
 - **Operating expenses** decreased by more than USD 1.0bn driven by lower customer redress provisions, sustainable cost savings resulting from organisational effectiveness programmes, business disposals and consequent FTE reductions.
 - **LICs** increased marginally, with improving credit quality being offset by large collective provisions resulting from model changes and assumption revisions.

Strategy highlights – Focused on:

- **Three growth priorities**
 - Growing the number of customers in targeted segments
 - Enhancing distribution capabilities including digital channels
 - Deepening customer relationships through wealth management and relationship-led lending
- **Implementation of Global Standards**
- **Streamlining processes and procedures and completing the execution of announced transactions**

Note:

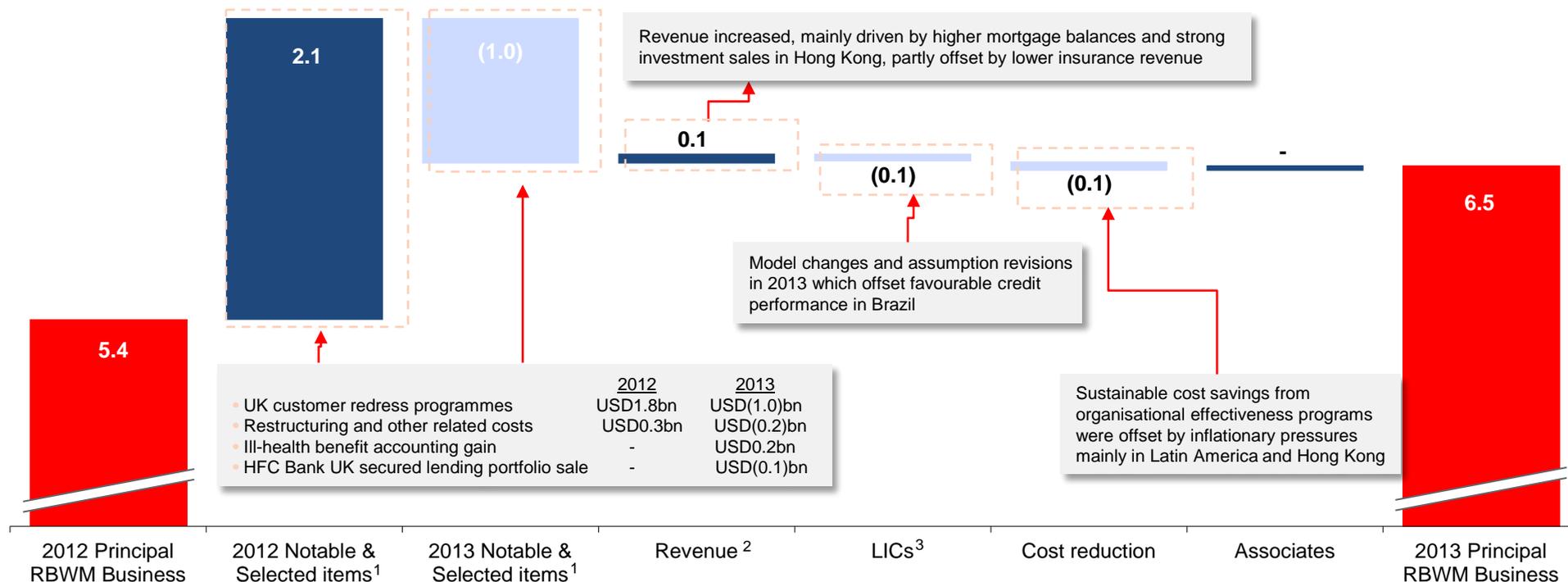
1. Underlying basis

I. Group and RBWM Results

Principal RBWM business profit before tax

Underlying profit before tax

(USDbn)



Return on RWA, cost efficiency ratios and JAWS

	RoRWA		CER		Jaws ⁴
	2012	2013	2012	2013	2013
Reported (%)	4.2%	4.4%	67.3%	64.1%	4.4%
Underlying (%)	3.5%	4.2%	69.3%	65.0%	6.3%

Notes:

1. Notable Items adjustment includes UK customer redress programmes and restructuring and other related costs (page 52, Annual Report 2013). Selected items adjustment includes the loss on sale of HFC Bank UK secured loan portfolio and the accounting gain relating to changes in delivering ill-health benefits to certain employees in the UK in 2013 (pages 60 and 82, Annual Report 2013), and Non Qualifying Hedges in Europe.
2. Revenue is net operating income before loan impairment charges and other credit risk provisions
3. Loan impairment charges and other credit risk provisions
4. Calculated as percentage growth in net operating income before loan impairment charges and other credit risk provisions less percentage growth in total operating expenses

I. Group and RBWM Results

Annual results 2013

Industry context

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Banks

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Energy Financials Health Industrials Luxury 360 Media Retail & Consumer Tech Telecoms

February 3, 2014 6:06 pm

UK banks count climbing cost of PPI mis-selling

The total bill for mis-selling PPI now runs to almost £20bn, or more than 1 per cent of the UK's annual economic output.

20 November 2013 Last updated at 10:27

JP Morgan in record \$13bn settlement with US authorities



US bank JP Morgan Chase has agreed to a record \$13bn (£8bn) settlement with US authorities for misleading investors during the housing crisis.

NEWS BUSINESS 13 September 2013 Last updated at 12:09

AXA fined £1.8m by regulator FCA for advice failures

AXA put thousands of elderly and financially inexperienced customers at risk of buying unsuitable investment products, a regulator has found.



FCA kicks off thematic review into non-advised sales and simplified advice

HSBC to review investment advice after FCA mystery shop

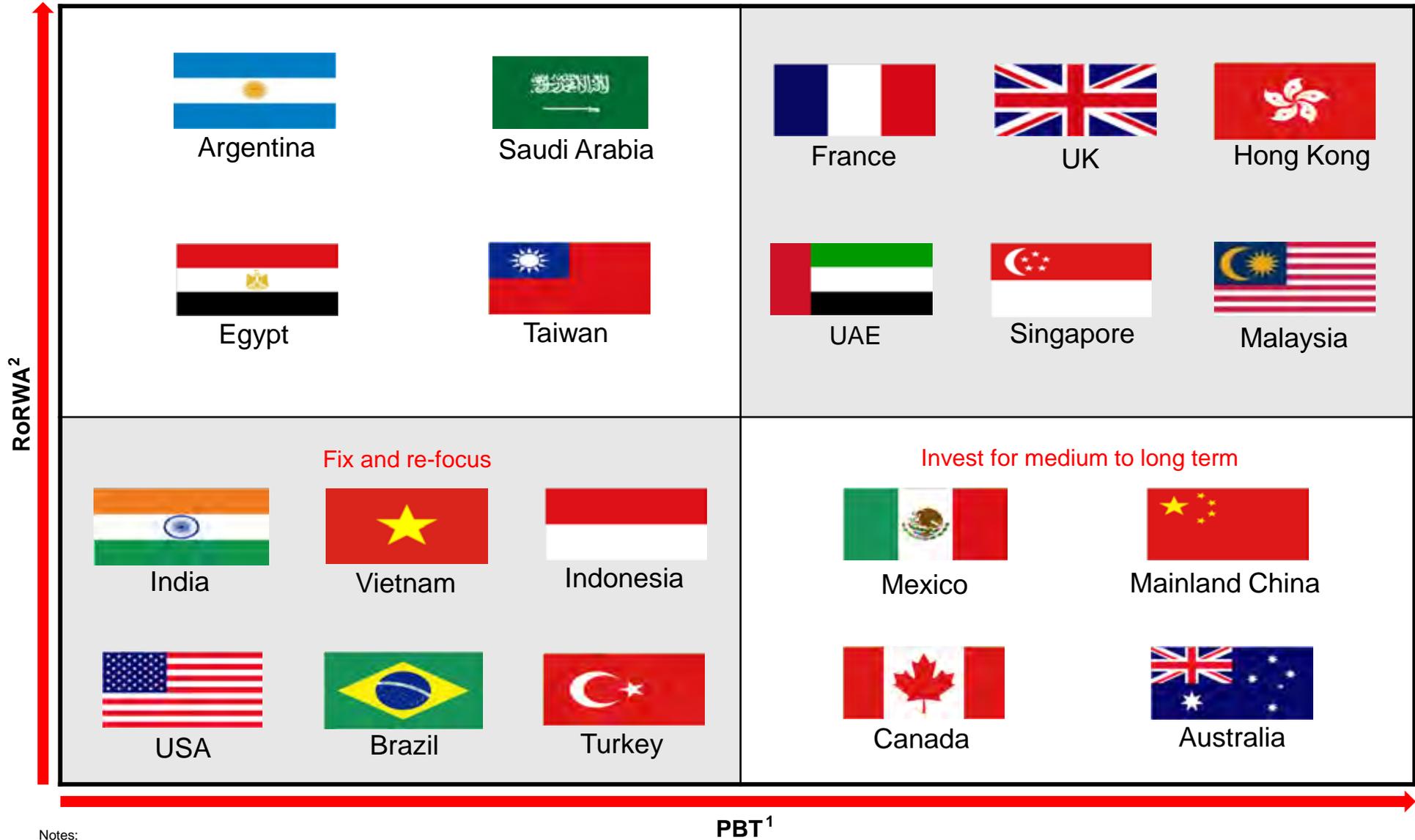
Author: IFAonline
IFAonline | 05 Nov 2013 | 08:07

HSBC's industry leading actions

- Conduct Risk Agenda now informing the way we run the business
- Implemented new Global Wealth Incentive Framework **removing formulaic link** between products sold and RMs remuneration, instead focusing on total relationship with the customer
- Rolling out new Retail Banking Incentive Framework and **removing formulaic link** between sales of retail products and remuneration in 2014
- De-risking the business and improving the quality of revenue

II. Growth Priorities

Home and priority markets growth



Notes:

1. 2013 underlying results
2. RWAs on 2013 reported basis not yet considering the incremental effects of CRD4 implementation

II. Growth Priorities

Wealth Management

Building our Wealth business

Our approach

§ Globally consistent, needs based, customer-centric

Progress made

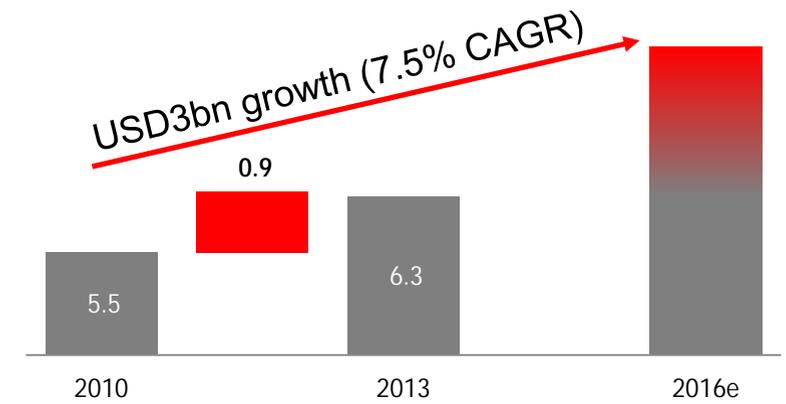
§ Global wealth risk framework, global incentive framework

§ Improved platforms and interface for customers and staff

§ Financial planning, digital tools

§ Enhancing products and services

Wealth target



Premier “Flagship” proposition with strong contribution to revenues

Opportunity for growth

§ Higher revenue per customer¹

§ Deepen customer relationships

§ Increase market penetration

§ Holistic relationship model

Progress made

§ Improved customer loading ratio

§ Single relationship coverage model

§ Improved proposition for top Premier clients, including enhanced international services

Note:

1. Compared to other retail customer segments

II. Growth Priorities

Relationship-led lending

Using personal lending to deepen relationships with existing customers and to generate new relationships

	Propositions	Participation strategy
<p>Compete in proposition and mass market asset businesses</p> <p>Ø UK, Hong Kong</p>	<p>§ Premier</p> <p>§ Advance</p> <p>§ Mass Market (returns based)</p>	<p>§ Leverage marketing, proposition led, more unsecured within risk appetite</p>
<p>Maintain returns and target opportunities</p> <p>Ø Australia, Taiwan, France, Canada, Singapore, US, China, Malaysia, Vietnam</p>	<p>§ Premier</p> <p>§ Advance</p> <p>§ Mass Market (relationship based)</p>	<p>§ Leverage marketing and pricing capability</p>
<p>Focus on proposition and secured lending</p> <p>Ø Brazil, Mexico, Turkey, India, Egypt, Argentina, Indonesia, UAE</p>	<p>§ Premier</p> <p>§ Advance</p> <p>§ Mass Market (relationship based)</p>	<p>§ Managed growth, rebalancing portfolios towards secured lending</p> <p>§ Targeted originations</p>

Supported by

Process standardisation and simplification	Enhanced risk infrastructure	Global analytics capability	New digital investments
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II. Growth Priorities

Digital

Distribution evolution

Investments examples

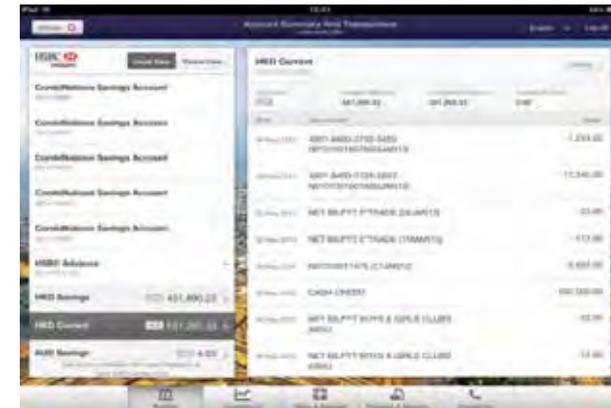
Mobile

- § **Global mobile banking app** – Live in 25 markets at the end of 2013. 2.8 million downloads reached in January 2014.
- § **Mobile payments** – Progressive deployment of simple and secure contactless payments
- § **Advanced capabilities** – Mobile stock and FX Trading



Tablet

- § **Customer-facing** – Mobile features optimised for tablet devices
- § **Staff-facing** – Tablet-based tools for front-line staff to support discussions with customers



Supported by

Improved analytics through our 4 global Centres of Excellence and dedicated digital teams in markets

III. Streamline

Portfolio management

Reduce fragmentation through closures and disposals

North America

Line of Business
Insurance Mgt services (Bermuda), Investment Advisory, Consumer Finance, Private Label Cards (Canada), Life Insurance, CRS, Upstate New York Branches, transfer of mortgage servicing operations (US), partially charged-off Household mortgages

Europe

Market Exits	Line of Business
Georgia, Poland, Russia, Slovakia, Kazakhstan	CF (Hungary), Non- Life & Re-insurance (Ireland), Creditor re-insurance (Italy), Motor Insurance (UK), GI (France), Mutual Funds Management (Greece) HFC Loans (UK)

Global

Results	HSBC Group
Closures or disposals	64
RWA release (USDbn)	c. 90
Net Gains (USDbn)	10.2

Latin America

Market Exits	Line of Business
Chile, Colombia, Costa Rica, El Salvador, Honduras, Panama, Paraguay, Peru, Uruguay	Consumer Finance (Argentina), GI (Argentina, Mexico, Panama), Life (El Salvador, Honduras, Panama), Afore Pensions (Mexico)

Middle East

Market Exits	Line of Business
Kuwait, Jordan	Dar Es Salam Insurance (Iraq)

Acquisitions

Lloyds (onshore Retail Banking UAE), Merger with OIB (Oman)

Asia

Market Exits	Line of Business
Thailand, Japan South Korea,	GI (HK, HASE, Singapore, Macau) Life Insurance (Taiwan, Korea JV), Bao Viet stake, Ping An Insurance stake, Employee Benefits and Group Term Life (Singapore), InvestDirect (India)

▲ Market exits announced

● Line of business exits announced

★ Announced acquisitions

Definitions:

CF Consumer Finance
GI General Insurance
OIB Oman International Bank

III. Streamline

RBWM transformation

Improving efficiency and customer experience

Approach



Identify inconsistent processes /
Define customer journey and
benchmark performance



Design Target Business and
Operating Model / select
standardised approach



Build once and deploy across
the network prioritised by
opportunity

Streamlining - tangible benefits

§ Sales channels and propositions:

- Ø Branch network / contact centre optimisation
- Ø Digital channel development
- Ø Product range review

§ Processes and servicing:

- Ø Customer journey based process re-engineering
- Ø Migrating service processes to optimal channel
- Ø Locating work in the right locations

§ Infrastructure:

- Ø Support functions and processes reengineering
- Ø Cost rationalisation

IV. Summary

RBWM growth priorities

Securing customers' future prosperity and realising their ambitions

Growth priorities to 2016

Growth in priority markets

§ Grow number of customers in target segments

Deepen customer relationships

§ Acquiring new wealth in faster growing markets and consolidating wealth in developed markets

§ Grow relationship-led lending

Distribution

§ Accelerate digital

§ Selectively improve geographic coverage

2016 targets

Financial

RoRWA¹, % 3.8-4.3

RoRWA¹,
excl. run-off, % 5.0-5.5

Incremental
wealth revenues² USD3bn

Non-financial

§ Customer Recommendation Index (CRI) for affluent segment in priority markets³

§ Total customer relationship balances

§ Digitally active customers



Notes:

1. CRD IV end point basis

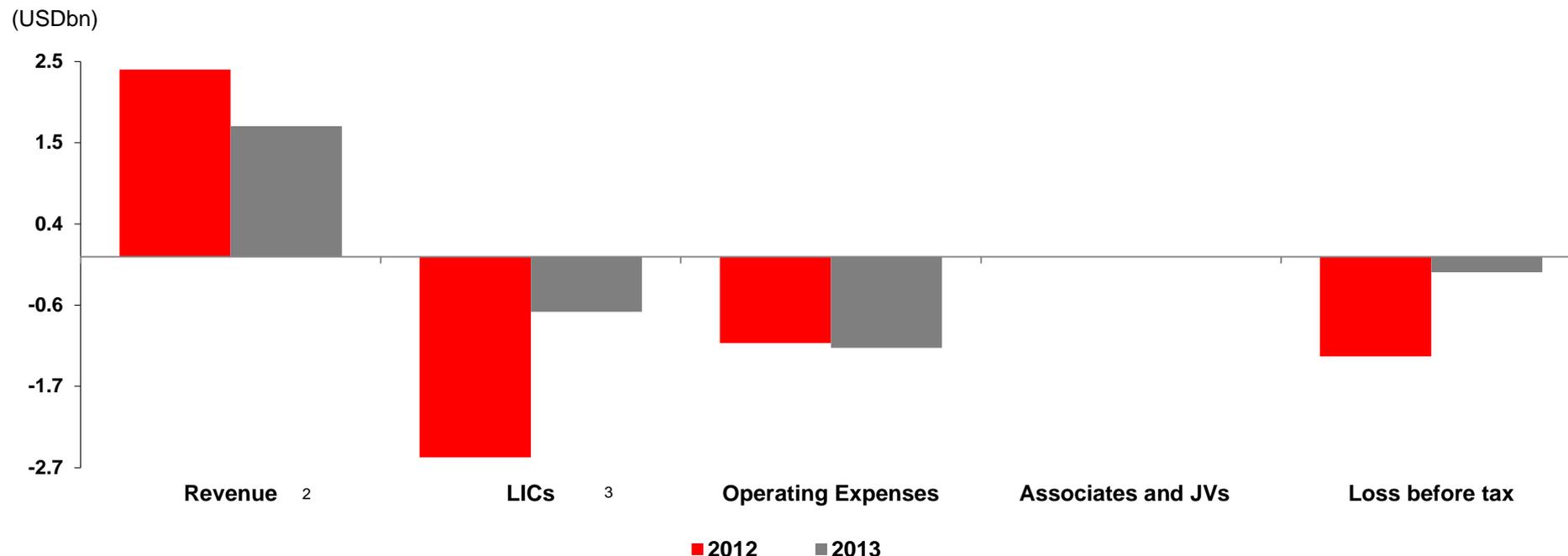
2. Incremental revenues 2010 to 2016

3. CRI measured in Argentina, Brazil, Canada, France, Hong Kong, India, Mainland China, Malaysia, Mexico, Singapore, Taiwan, Turkey, UAE, UK and US

V. Appendix

US run-off portfolio¹

Progress in running down and de-risking US legacy portfolio



- Revenue reduction driven by lower average lending balances, losses arising from the early termination of cash-flow hedges and portfolio disposals
- Lower LICs reflects improvements in housing market conditions, the decrease in lending balances, reduced new impaired loans and lower delinquency levels
- Operating expenses increased due to a customer remediation provision related to the former Cards and Retail Services (CRS) business allocated to the US run-off portfolio
- Following the disposal of the CRS business in 2012, there was no PBT related to CRS in 2013

Notes:

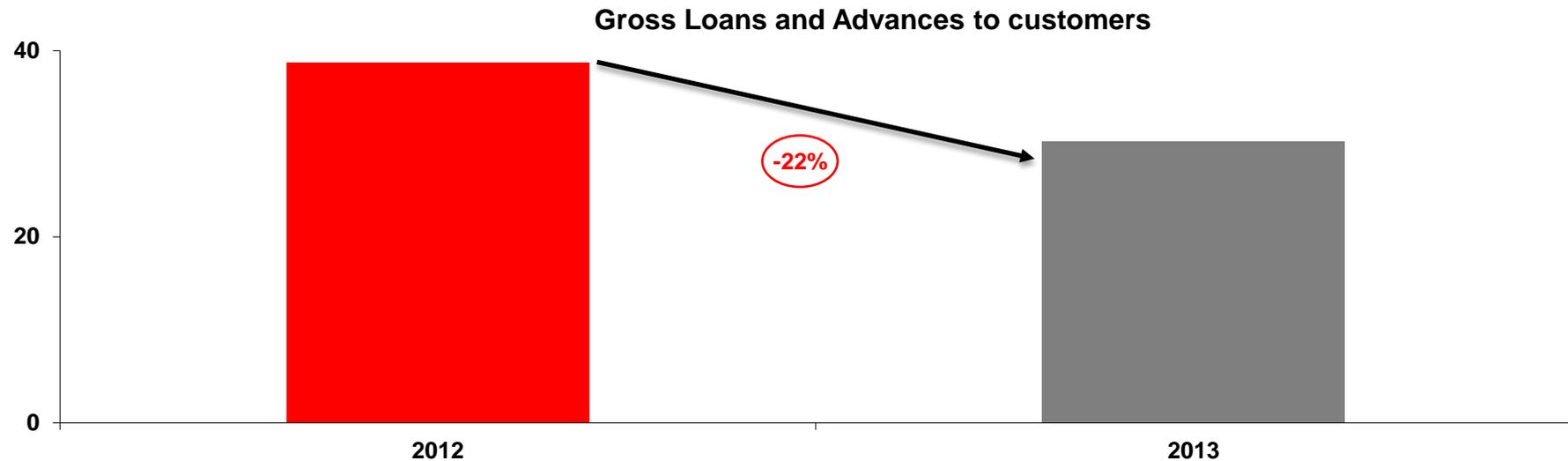
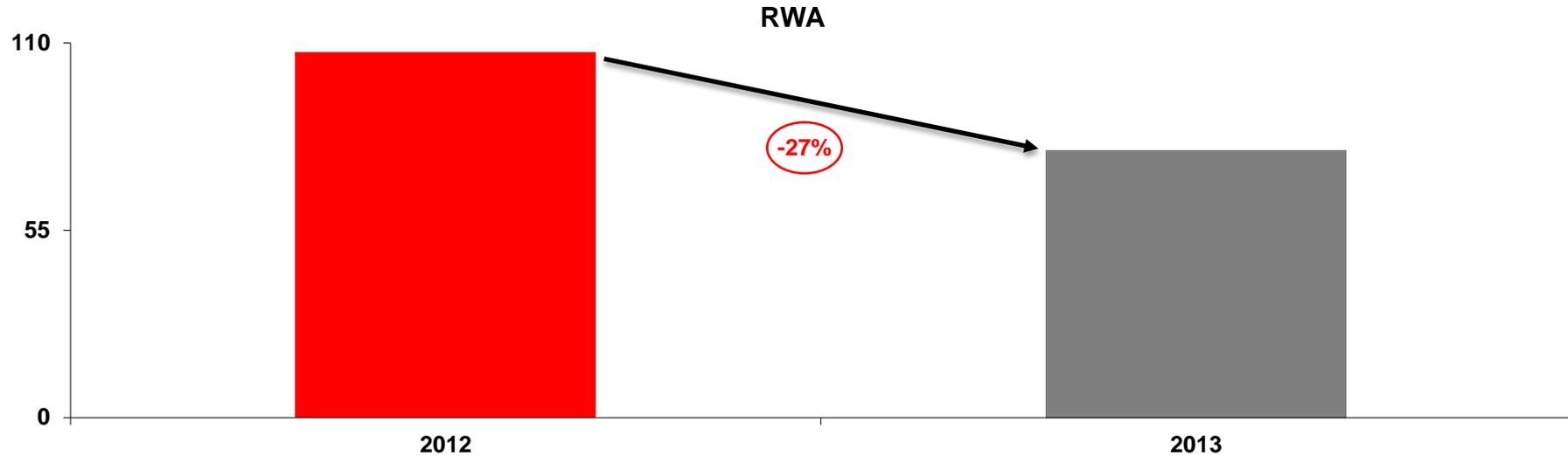
1. On a reported basis
2. Revenue is net operating income before loan impairment charges and other credit risk provisions
3. Loan impairment charges and other credit risk provisions

V. Appendix

US run-off portfolio¹

Progress in running down and de-risking US legacy portfolio

(USDbn)



Note:
1. On a reported basis